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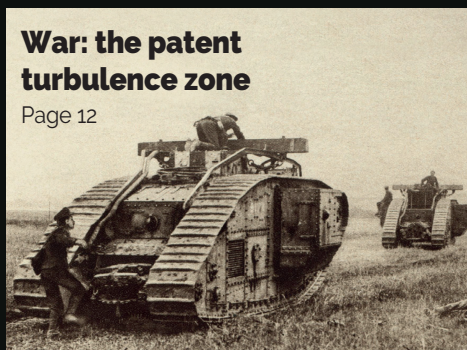
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Road to the future: SEP licensing and litigation in the automotive field

Shaobin Zhu & Bo Tang, Morgan Lewis & Bockius LLP, address the advances in vehicular technology and the correlating increase in standard-essential patent licensing and litigation in the automotive industry for continued innovation and protection of these enhancements.



On the home straight: The European Unitary Patent and the Unified Patent Court

By Rainer K. Kuhnen, Senior Partner at Kuhnen & Wacker, summarizes the Unitary Patent and Unitary Patent Court, whose entry into force is now in sight, with comparative advice in relation to the existing European bundle patent.

The European Unitary Patent and Unified Patent Court will create for the first time a patent and court system in which inventions will be obtained for many Member States of the European Union, and then dealt with uniformly before a court (the Unified Patent Court). It has been a long road to get here, which is now turning into the home straight.

Background

The advancing European integration after the Second World War was also accompanied by the endeavour to create a genuine single European market with uniform patents, trademarks and designs (registered designs) valid for the entire European Community, now the European Union. While this goal has now been achieved for trademarks and designs, this wish has so far remained unfulfilled for patents.

It is true that there is a European patent (EP patent) granted by the European Patent Office with its headquarters in Munich and branches in The Hague and Berlin, which is granted (or refused) under a supranational treaty completely independent of the European Union, the European Patent Convention (EPC) – sometimes called the “Munich Convention” after the place where it was adopted. However, once granted, this EP patent splits into a bundle of national patents (hence in jargon and hereafter called a bundle patent), which must then be enforced by the patentee individually for each member state



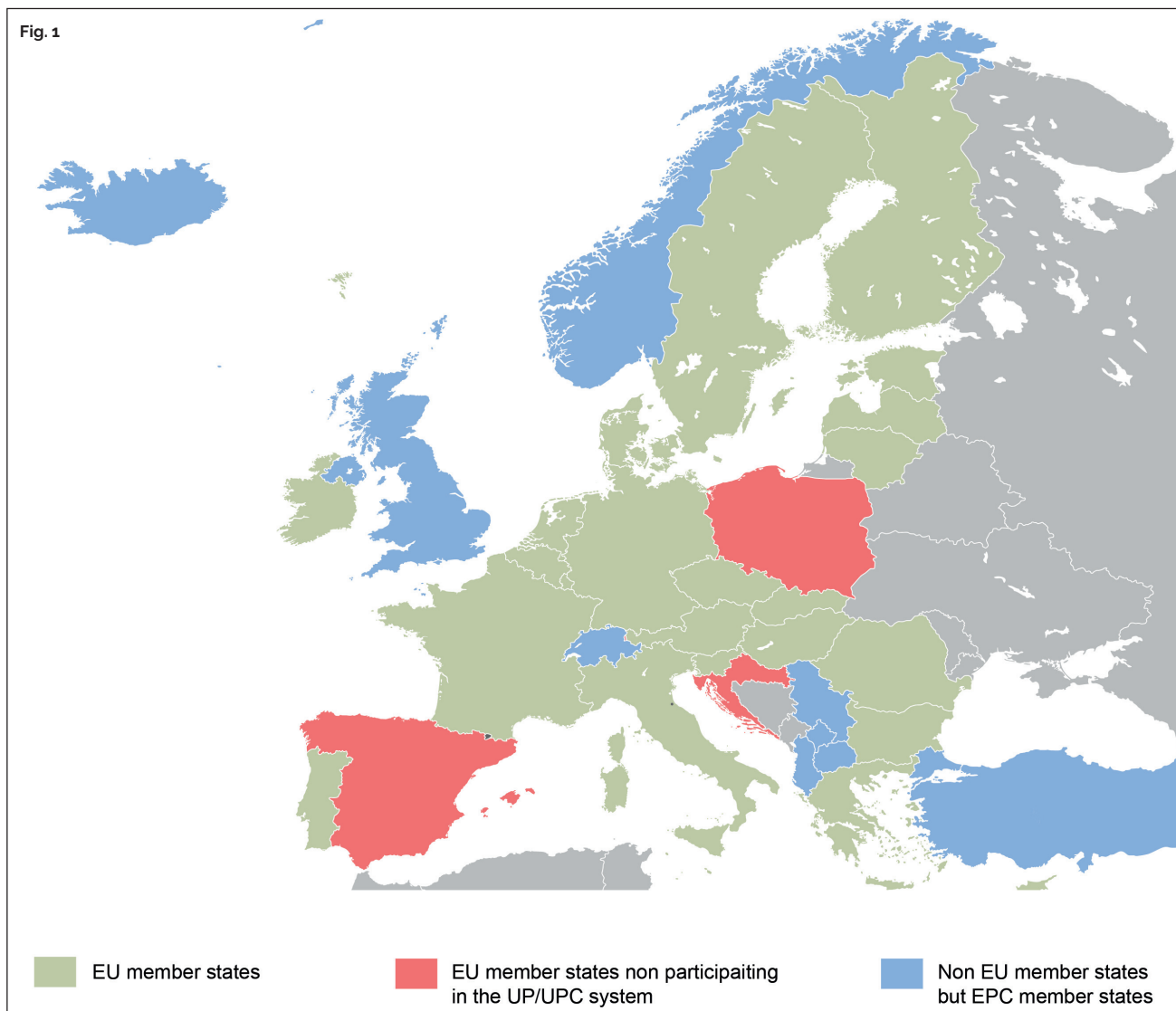
By Rainer K. Kuhnen

like traditional national patents. Third parties who feel disturbed by the bundle patent may indeed challenge the patent centrally with an opposition at the European Patent Office within nine months after publication of the grant. After that, however, they too are reliant on national nullity proceedings to be conducted individually for each member state. This is not only time-consuming and costly, but also often leads to divergent results.

Efforts to achieve a genuine Union patent therefore continued after the EPC came into force. Although it was still not possible to achieve a genuine Union patent that was valid and enforceable for the entire European Union. However, by way of “enhanced cooperation”, a European patent with unitary effect (UP) and a Unified Patent Court (UPC) were created with the participation of 25 member states of the European Union. This new patent and court system can enter into force together as soon as 13 member states of the European Union, including the three EU states with the largest number of applications in 2012, namely Germany, France and Italy have ratified. This ratification hurdle has been finally cleared and it is now expected that the EPC will be able to start its work at the end of 2022 or in the first half of 2023 at the latest.

The map (Figure 1) shows which states are participating in the European Patent Convention, the Unitary Patent and the Unified Patent Court.

Those member states of the European Union



that are also participating in the UPC are shown in green and are called participating member states in the following. Spain, Croatia and Poland (red) are members of the European Union and the European Patent Convention, but not of the UPC. States which are members of the European Patent Convention without being members of the European Union are shown in blue.

Bundle patent versus Unitary Patent

Traditional European bundle patents are filed at the European Patent Office (EPO). The official languages at the EPO are German, English or French. The application must therefore be filed in one of these languages or translated into one of these languages, which then becomes the language of the proceedings. The EPO examines the application and the invention for patentability and grants a European patent if the examination is positive. For this purpose, the applicant must translate the patent claims intended by the EPO for the grant of the patent into the two other

official languages which were not the language of proceedings.

The European patent (EP patent) is generally granted with effect for all member states of the European Patent Convention (EPC). The 38 member states of the EPC include not only all 27 member states of the European Union, but several more

Résumé

Rainer K. Kuhnen is senior partner at Kuhnen & Wacker, a well-established IP law firm based in Munich and Freising. He specialises in patent prosecution in the fields of electrical engineering/electronics, physics, information, computer and network technology and artificial intelligence. Mr. Kuhnen has a master's degree in electrical engineering from the Technical University of Munich. He is a qualified German and European patent attorney, as well as a European trademark and design attorney. In addition, he holds an LL.M. degree in European IP law.

Mr. Kuhnen is a member of various associations and is frequently invited to lecture on German and European patent practice and has attended conferences and given presentations in several Asian countries.



(as shown on the map on previous page), such as the United Kingdom, Switzerland, Norway and Turkey, to name just a few of the larger states.

The EP patent itself is not enforceable, but only the national bundle patents resulting from it. To do this, the patent holder must first "validate" his patent in the member states in which he wishes to obtain protection. For this validation process, depending on the state, translations of the patent claims or even the entire patent specification into the respective national language must be filed within a period of three months. In some states where a translation of the claims is sufficient, the description and, where applicable, textual details in drawings must be in English if the patent was not published in English anyway. If a patent proprietor wishes to validate in all EPC states or at least in the states participating in the unitary patent, they must prepare translations in a great many languages and file them with the respective office. Furthermore, the patent proprietor must pay the renewal fees to the respective national office in the country where they wish to maintain their patent. Accordingly, the validation process is correspondingly time-consuming and expensive.

As indicated above, the term "unitary patent" is short for "EP patent with unitary effect". The European Patent Office is therefore also responsible for granting unitary patents and the application goes through the same grant procedure described above. However, after grant, the patent proprietor has the additional option of requesting "unitary effect" for all member states participating in the unitary patent system. After the patent has been granted, the applicant/patentee can



On the other hand, the disadvantage is that flexibility is lost, because the unitary patent can only be maintained in full or not at all.



therefore decide whether they want to have a bundle patent (bundle of national validations) or a unitary patent for the participating member states. For the member states of the European Patent Convention, they can still have the bundle patent in addition to the unitary patent (see Fig. 2).

Although the "unitary effect" option therefore does not transform the EP patent in a "Union patent", but provides for a kind of low-cost "common validation", as only one translation is required.

In order to choose the "unitary effect" option, the patent proprietor must declare to the European Patent Office within one month from the date of publication of the grant of the patent that he wishes to have unitary effect and - still for a transitional period of six years, which may be extended to 12 years by the participating member states - file a translation of the description into English, if the language of the proceedings was German or French, or into another language of the European Union, if the language of the proceedings was English. Renewal fees for the maintenance of the unitary patent are paid centrally at the European Patent Office.

The unitary patent thus offers the advantage that it does not have to be maintained individually in each participating member state and does not require a large number of translations. This significantly reduces the administrative burden if the patent is to be maintained in several participating Member States. Since the renewal fees for the unitary patent are calculated according to the renewal fees of the four most selected EPC member states, there is also a substantial fee saving compared to protection with bundle patents

with at least 16 EU states participating in the UP system.

On the other hand, the disadvantage is that flexibility is lost, because the unitary patent can only be maintained in full or not at all. It is quite common for a patent proprietor to initially pursue their European bundle patent in very many member states. In the course of the maximum 20-year life of the patent, however, patent protection is then abandoned for more and more member states, until in the end often only two states or even a single state remain. In such a case, the unitary patent may even end up being more expensive than a bundle patent.

Furthermore, when deciding between a unitary patent and a bundle patent, it must be taken into account that the unitary patent can only be enforced, or its body of law challenged, at the UPC. The path to the national courts is then no longer possible. The proprietor of a unitary patent therefore always puts "all their eggs in one basket".

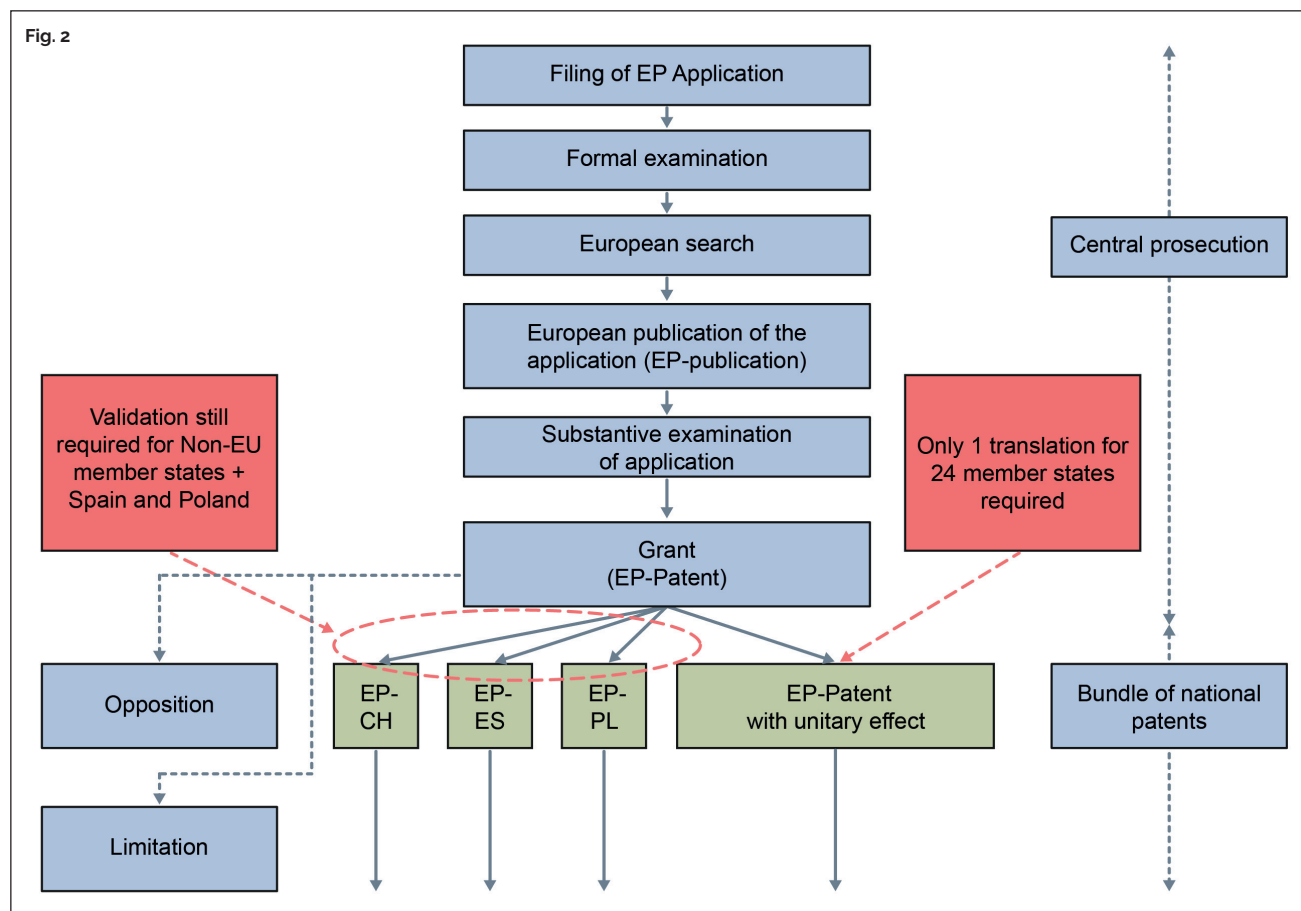
The Unitary Patent (UPC)

Somewhat surprisingly, the UPC will not only be responsible for unitary patents, but also for the traditional European bundle patents already granted by the European Patent Office. On the one hand, this is due to the fact that the original objective was to have a single court for bundle patents; on the other hand, it is also intended to

“ At the request of the parties or the chamber, a technically qualified judge (in the technical field of the patent) may be called in as a fourth judge. ”

ensure that the UPC is given work from the outset by also being responsible for bundle patents granted before the entry into force of the UPC Agreement. Patent owners of traditional European bundle patents can therefore file their infringement action centrally with the future UPC instead of having to sue individually in all validated member states, as was previously the case. Likewise, third parties who feel disturbed by such a patent can bring their revocation action before the UPC. For a transitional period of seven years, which can be extended by the participating member states by a further seven years to a total of 14 years, such actions can also be filed with the established national courts (Art. 83 UPC Agreement).

If a patent proprietor wishes to prevent a revocation action against their European bundle patent from being brought before the UPC, they can make an "opt-out" declaration (Art. 83(3) EPC Agreement). Then, third parties can not attack the patent centrally before the UPC, but must rely, as before, on national revocation proceedings in each individual participating member state in which the validated EP patent is in force and in which they seek a declaration of invalidity. After an opt-out declaration has been lodged, it is still possible to withdraw the opt-out, a so-called opt-back-in. However, this is only possible as long as no proceedings arising from or against a national part of the bundle patent in question



have become pending.

First, however, the UPC should be briefly introduced: The UPC is a court of the European Union with two instances. In the first instance, there are central divisions and, in participating Member States, local or regional divisions (decentralized divisions). However, the decentralized chambers must not be confused with the national courts. They are chambers of the UPC whose judgments are always effective and enforceable for all participating Member States. The decentralized chambers are primarily competent for infringement actions brought by patent proprietors against defendants from the European Union who are domiciled in the participating member state in which the local or regional chamber is located or in which the infringement action took place, as well as for revocation counter claims by the defendant. The central division is, roughly simplified, competent for independent revocation actions and defendants who are not domiciled in a participating Member State. Regional and local chambers differ only in that regional chambers are competent for several states, whereas local chambers are only competent for their host state. This is illustrated in Figure 3.

The decentralized chambers are always composed of three judges with legal training, at least one of whom must be from a state other than the host state. If the defendant files a revocation counter claim, the regional or local chamber can decide on it. At the request of the parties or the chamber, a technically qualified judge (in the technical field of the patent) may be called in as a fourth judge. Alternatively, the board may separate the invalidity proceedings and refer them to the central division. This separation of proceedings is due to the influence of the German patent system, in which more than two thirds of all European patent infringement proceedings take place and in which there has always been the so-called bifurcation principle between infringement and validity proceedings. However, the author considers it unlikely that the decentralized chambers will make extensive use of the latter possibility. Rather, they are also likely to decide on the revocation counter claim.

If the decentralized chamber considers the case to be technically difficult, it may also – and even without a revocation counterclaim – call upon a technically qualified judge as a fourth judge. This can also be suggested by the parties.

In infringement actions, the central division is composed of two judges with legal qualifications and one judge with technical qualifications, with one of the judges with legal qualifications always presiding.

Appeals against first instance judgments go



It should be assumed that as a rule the second instance is the end of the proceedings.



to a court of appeal seated in Luxembourg. This court is always composed of three judges with legal qualifications and two judges with technical qualifications, regardless of the subject matter of the dispute.

The route of an appeal to the Court of Justice of the European Union (CJEU) is only possible in cases where the Court of Appeal has the obligation to refer questions on the interpretation of Union law to the CJEU. Opinions differ as to whether the international agreement on the UPC is to be considered to as Union law at all. To be on the safe side, however, it should be assumed that as a rule the second instance is the end of the proceedings.

Unified Patent Court versus National Jurisdiction – opt-out or not opt-out?

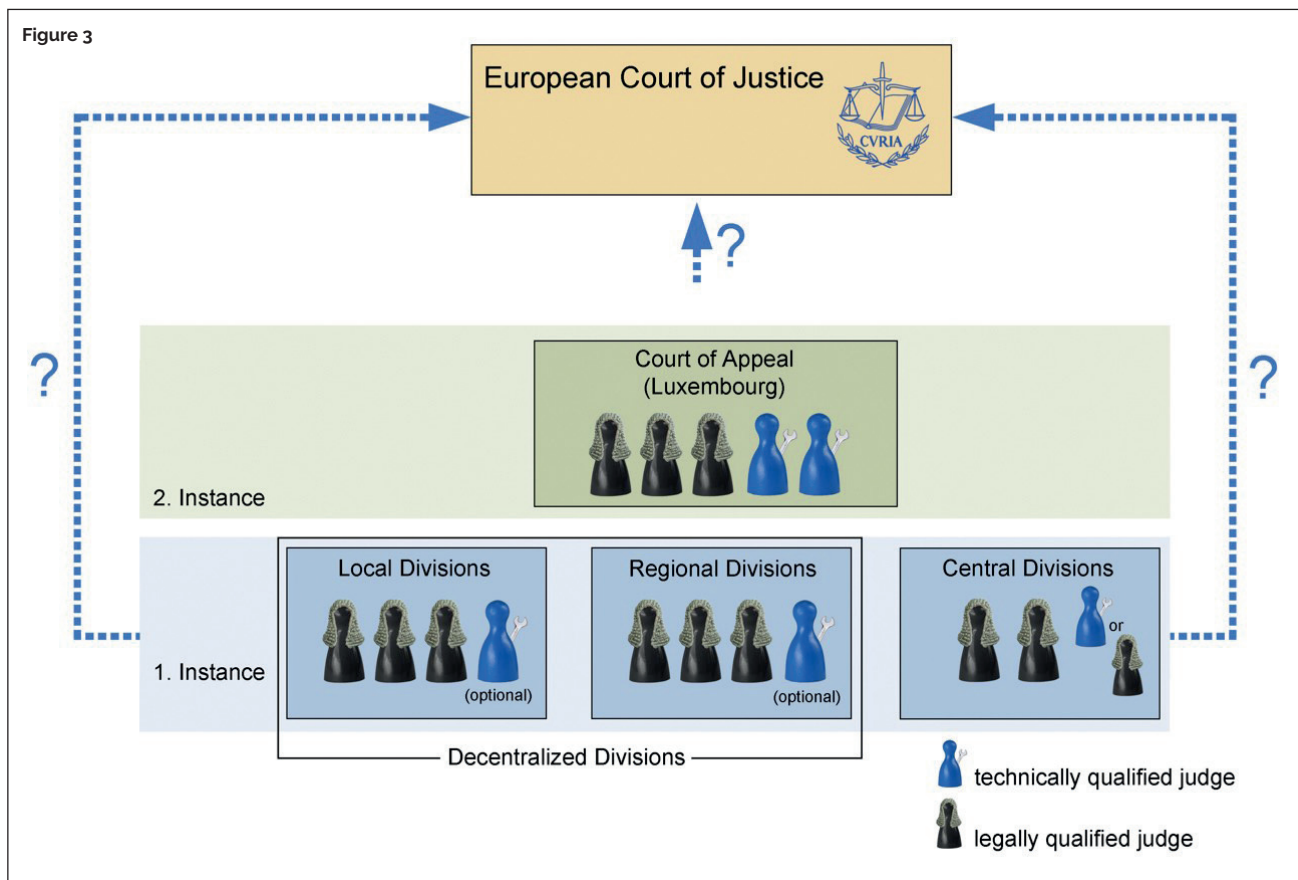
Applicants for a European patent application are thus faced with the choice, after the grant of the patent, whether to opt for the unitary patent or the traditional bundle patent for the participating member states. Holders of traditional European bundle patents are faced with the question of whether to declare an opt-out.

In the following, the author expresses some thoughts on whether and when a patent proprietor should declare an opt-out. These thoughts are not exhaustive and do not claim to be complete. The author would be pleased if they would stimulate discussion and further reflection on this topic.

In practice, the chambers will always be composed of judges of different nationalities from countries with different legal traditions. Even for the decentralized chambers, it is envisaged that at least one judge will not be from the host state. In this way, the UPC will bring together different legal traditions and certainly also ensure a unification of the jurisprudence of national courts. At least two of the judges in the first instance and even more so the judges in the appeal instance will be very experienced patent judges. The author therefore expects a high quality of decisions. Nevertheless, doubts and initial reservations about the future UPC are quite understandable.

The UPC has the advantage that the patent proprietor can enforce their patent with a single procedure for all participating member states. However, it also has the disadvantage that the patent can be invalidated in a single procedure with effect for all participating member states. A patent proprietor may therefore be inclined to always declare an opt-out to avoid this danger. But does this make sense all the time?

For "crown jewels", i.e., particularly important patents, an opt-out is certainly advisable. This is all the more true if the patent has not yet survived any validity proceedings, such as



opposition proceedings before the European Patent Office.

Patents that have already survived such opposition proceedings are still not certain to survive nullity proceedings (whether national or before the UPC). However, the probability of a successful attack on a patent is significantly reduced if opposition proceedings have already been survived. No patent examiner in this world will search for promising grounds for invalidity against a patent with as much zeal and self-interest as a competitor who feels that their economic development opportunities are being impaired.

In such a case and in the case of patents that are perhaps less important economically, a waiver of the opt-out therefore seems appropriate.

However, the following should also be considered: An opt-out can no longer be declared as soon as proceedings against or arising out of the patent have been brought before the UPC. It is quite convincingly argued that proceedings for an interim injunction are not proceedings which preclude an opt-out. This opens up the possibility of trying the UPC with an application for an interim injunction. If it does not succeed, or at least not without the challenged alleged infringer learning of the application, the application can be withdrawn again. However, this "test" can only be carried out if no opt-out has been declared.

“**For “crown jewels”, i.e., particularly important patents, an opt-out is certainly advisable.**”

Conclusion

With the European patent with unitary effect, the so-called "unitary patent", and the Unified Patent Court, a single patent and a court system for its enforcement will be created for the first time for large parts of the European Union. Users of the patent system will therefore soon, if not already, be required to consider whether they want to use the previous national systems or the new European unitary system. Advantages and disadvantages of this system have been presented in this article and some thoughts on the decision-making process have been expressed. Ultimately, the conclusion is that there is no general rule as to which system is the more suitable. Rather, this is always a case-by-case decision that each patent applicant/holder must make separately for each of their patents.

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